

Employee turnover in uks fast food industry business essay



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This dissertation aims to investigate the reasons for high levels of employee turnover in the UK fast food retail industry. It may be noted that the fast food retail sector tends to employ part time student employees, who are only using these jobs as a part time, stop gap arrangement between colleges and work anyway. Alternatively, many of these jobs tend to be low paid ones and employees seek mainly to gain some experience before moving on to other, better paying jobs. Moreover, since these jobs are service oriented and employees may need to face negative feedback from consumers, there may find their jobs humiliating and unsatisfying and may be eager to job hop.

This research study proposes to examine employee turnover in the retail industry by posing the following research questions:

Is employee turnover a fairly common phenomenon among employees in the fasts food ndustry?

What are the reasons for high employee turnover in the fast food retail sector?

2. 0. Literature Review:

This literature review includes a definition of employee turnover, the effects of employee turnover upon an organization as well as the methods and techniques that can support and enhance retention of employees.

As pointed out by Bartlett and Ghoshal (2002), knowledge creation and the building of learning processes is important in gaining a competitive advantage. Success for the organization rests in the nurturing of individual expertise in the people who are hired and the successful sharing of such

expertise. " This requires executives in a corporation to look beyond strategy, structure and systems to a focus on the company's purpose, process and people". (Bartlett and Ghosal, 2002: 36). When employees leave an organization, it results in a considerable loss in knowledge and expertise for the firm because all the knowledge and training that those employees possess is lost to the firm.

Employee retention is the most difficult in the hospitality industry, mainly because of the negativity associated with the jobs in the fast food retail sector. In a similar manner to the hospitality industry, there is a high negative perception about the jobs [Giselli et al, 2001] and most employees perceive their jobs as " humiliating and demeaning" [Spillane, 2001]. There is an increasing tendency for employees to change jobs, for example British employees change employers an average of seven times during their lifetimes, with employees taking about twelve months to settle into their new jobs and become fully productive, which further shortens the effective working span of the average employee. In one study carried out in a British and a Greek banking institution during the period 1991-2001, about 20, 000 people left the firm (www. lums. lans. ac. uk), a very high rate of employee turnover.

2. 1. Employee turnover:

Employee turnover is the ratio of the number of workers who have to be replaced in a given organization to the average number of workers in the organization. According to Phillips and O'Connell (2003), managing the retention of employees and keeping the turnover rate below the target and industry norms is one of the most challenging issues that faces businesses
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today. When an employee leaves a firm, either through retirement or to join another firm, the company loses a wealth of experience and skill possessed by that employee and the Company is forced to replace the individual, often from outside (Kransdorff, 1996). Employee turnover, especially when it is voluntary, can have a damaging effect on a firm, because it does not just constitute a loss of the knowledge that the employee possesses; it also means that the operational process of the Company can suffer losses or damage while new employees are recruited to fill up the places that the exiting employees have left behind.

As pointed out by Kransdorff (1996), while the advantages of frequent job turnovers are seen as bringing fresh creativity and new ideas to the organization, with the expertise of incoming employees compensating for those who are leaving, the reality is that the organization's investment in the outgoing individual in the form of experience and knowledge possessed by that individual is suddenly lost. As a result, an organization no longer has the benefit of the hindsight that has been gained by it as embodied in the experience of the individuals who have left, unless the organization finds some way to retain the wisdom, experience and knowledge of those employees it has invested in through effective measures in terms of succession. This in turn produces an overall loss in productivity and a loss in competitive advantage, as an organization loses the benefit of hard earned hindsight embodied in the experience of its employees and is instead forced to make do with the experiences of new employees who may come from a different background altogether.

Khatri (no date) distinguishes between turnover intention, which is the intent of the employee to leave his or her job and job hopping. He cites Ghiselli (1974: 81) who defined job hopping as the “ periodic itch to move from a job in one place to some other job in some other place”, which arises out of impulsive actions. Another reason why employees choose to leave their jobs is the turnover culture, which makes it acceptable for an employee who has been with an organization for a long time to change jobs and move to another organization.

In the retail industry in particular, employee turnover may be higher because of several factors, which Booth and Hamer (2007) have identified in their study. They carried out a case study on a major retailer and their key sources of data were an annual employee survey and the internal labour turnover data for each UK unit of the retailer. Their findings suggested that environmental factors such as the nature of the local labour markets impact upon employee turnover. Secondly, high employee turnover could also be the result of organizational factors and culture, especially because management behaviour could also be a factor influencing employee decision on whether or not to leave an organization. This study was especially significant because it showed that in the retail sector in particular, the more employees become embedded and familiar with an organization; the more likely they are to leave in order to seek better prospects. This could explain why employee turnover is so high in the UK retail industry, because most employees join as novices and get trained, which in turn improves their prospects for securing better employment and thereby encourages high employee turnover. Similarly, those employees with prior experience would

also seek to improve their training and experience and then move on to better prospects because on the whole, the retail industry does not pay very high wages at junior levels.

It may also be noted that in the case of the fast food retail industry, this trend would be even more prevalent because most employees are likely to be part time student employees who are using these jobs as a stop-gap arrangement until they complete their studies or until they find something better. As a result, motivating employees and incorporating practices to improve employee retention is therefore very important and retention is discussed further below.

2. 2. Retention of employees:

According to Fuller (2004), it is the way that an organization functions which can influence employee decisions on whether or not to remain with it. If employees feel like outsiders, or inferior and unworthy, then it is likely to have a negative impact upon the employees' physical, psychological and spiritual well being and they are more likely to leave the organization.

CPA Consultant Steve Erickson recommends ten techniques to aid firms in hiring and retaining employees (Anonymous, 2007). These include

(a) Making recruiting a year round process, engaging both employers and employees.

(b) Building an employee referral network.

- (c) Differentiating the firm, by building unity within the firm and having a clear focus on internal and external service categories.
- (d) Working on the good clients by evaluating them and allowing employees to work with the good ones to motivate them.
- (e) Creating a culture of success and helping employees to feel successful due to being associated with such a firm.
- (f) Consistent communication which results in benefits for everyone.
- (g) Defining success for every employee by ensuring that each employee knows where the firm is going.
- (h) Setting up a reverse mentoring program, whereby the leader/manager takes the initiative to gather feedback from the employees
- (i) Reducing the levels of internal competition for resources by ensuring that there is an efficient system of governance.
- (j) By eliminating all negative talk within the firm and promoting a positive attitude in solving staffing issues.

Murphy and Burgio-Murphy (2005) have laid out five important aspects which every firm should know about employee retention. Firstly, some employees in the firm are more valuable than others, therefore the greater the degree to which a firm focuses on retaining the high performing employees and eliminating the low performing employees, the higher its level of success. Secondly, different employees may be motivated by different things,

therefore it is only by asking the employees that a firm can determine what those motivating factors are and act accordingly to motivate them to stay with the firm.

Thirdly, the initial 90-day period after an employee joins the firm is the period where he or she is most likely to leave, therefore if the leaders/managers focus on building bonds with the new employees during this period, then there is a greater likelihood of retaining those new employees (Murphy and Burgio-Murphy, 2005). Fourthly, a firm should not be quick to allow a good employee to resign. Most employees who want to resign are looking to leave quickly and painlessly, but the manager should ask them to consider it for 24 hours and take the time to question them about why they want to resign, so that efforts can be made, if possible, to provide the employee with better conditions or benefits that will alleviate the reason for leaving in the first place. Lastly, if an employee cannot be retained and is intent on resigning, then an effort should be made to ensure that the employee leaves in good spirit and retains a good impression of the firm. Sending periodic updates about job openings is also advised in case employees wish to return or refer others to the firm (Murphy and Burgio-Murphy, 2005).

2. 3. Succession of employees:

The choice of whether to replace top level individuals from the inside or the outside may also be associated with the size of the corporate body.

According to Dalton and Kesner (1983), larger organizations, especially those on the stock exchanges may be reluctant to go outside the organization for a replacement CEO, because of the complexity of instituting changes within <https://assignbuster.com/employee-turnover-in-uks-fast-food-industry-business-essay/>

organizations that are too large in size, although in some instances may be needed and it may be more difficult to bring about those changes without using an outside successor. The internal power structure within organizations may also impede the appointment of a successor from outside the organization, due to the entrenchment of interested parties who may demand replacement from within the organization. With the frequent changes in managerial leadership, corporate recruitment is now being driven from a standpoint that does not reflect the distinctive history and needs of particular organizations.

On this basis, Kransdorff (1996) suggests that the experiences and memories of outgoing employees should be orally recorded and retained by the organization as a part of its succession planning, so that the repository of information that is contained in the outgoing employee is not lost to the organization. Rather, if this information is retained, it can be used to effectively induct new employees and make them cognizant of the organization's history, policies and problems and enable the employee to perform more effectively in the service of the organization. His also helps the organization to retain knowledge of and build upon its past achievements.

Maxwell (2004) points out that most firms do not plan for the human resource side of the planning process to also take into the growth and progression, or succession of employees. Succession planning is one of the aspects that can contribute to profitability by ensuring a smooth transition of employees. She recommends a series of steps in order to plan for effective succession. Firstly, it is necessary to anticipate and estimate which members are likely to leave within a year's period, either through retirement, transfer

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or for personal reasons. The next step is to create a four quadrant matrix with two axes, which is to be used as a way to measure all staff members on profitability and performance. Employee ranking along these quadrants should produce 10% in the quadrant of low-performer-low-potential, and 20% of employees in the high-performer-high-potential quadrant with the rest of the 70% employees ranking along the other two quadrants (Maxwell, 2004).

This matrix can then be used as the basis to determine HR needs, including training, retention and succession. Employees falling in the low quadrant are the ones who may have to be urged to improve or be booted out. Appraisal of employee performance is an important aspect in determining retention of employees, . For example, at Emery Air Freight, the Company was losing \$1 million a year due to poor performance and defective practices by employees, when this was corrected, the losses were eliminated and productivity improved (Schuler and Macmillan, 1984).

The 70% of employees in the middle quadrants are the ones who are likely to benefit the most from training programs or enrichments on the job. “ Training of employees is an invaluable asset in providing a company with a competitive advantage. For example, Delco-Remy took up a training program for its employees and was then able to differentiate itself from its competitors” (Schuler and Macmillan, 1984: 249). Other companies such as IBM and McDonalds also use training programs to enhance productivity of their firms.

It is the high achievers in the Maxwell (2004) matrix however, that need to be rewarded generously and provided with opportunities for advancement,

and these are ones who should also be targeted from a succession point of view, to be promoted to higher positions on the basis of their ability and potential (Maxwell, 2004).

This can then form the basis on which the HR department thinks about individual employees, their abilities and positions in the organizations that they would be suitable for their job. After these discussions among HR managers, the employees can then be individually approached and consulted about their aspirations, so that discussions can be entered into on how the individual aspirations of employees can best be accommodated within the framework of the department's goals (Maxwell, 2004). On this basis, the HR department can function more efficiently having identified the individual needs of employees, by conducting an annual review - dealing with the low performing employees on how they can improve, establishing schedules for training and staffing for the next year and making decisions about promotions and succession.

Succession should be an annual process. If openings are anticipated, then staffing changes and increases should be planned well in advance, since it takes many months to fill up positions. When sufficient time is allowed to fill up positions, then the position can be suitable matched with the person possessing the most appropriate level and range of training and skills, rather than being forced to hire someone in a hurry, who may not be able to do full justification to the job (Maxwell, 2004).

2. 4. Motivating employees:

According to Macmillan (1983), the gaining of competitive advantage involves an understanding of barriers to response, intelligence and infrastructure systems and requirements, general management challenges as well as extensive planning practices. Several companies have successfully achieved a competitive advantage through the restructuring of their human resource management systems, as pointed out by Schuler and Macmillan (1984). In the Bairnco Corporation, bonuses were linked to performance for top level executives and the company was able to almost double its sales from \$270 million to \$442 million in the short span of two years. In the case of Lincoln Electric, workers receive a share in the profits, which imbues workers with a high motivation to produce. At the American Productivity Center, generalist managers are hired, so that they can be function effectively in different specialty areas, because their “ appreciation system and skills span both the qualitative and quantitative aspects of productivity and organizational effectiveness” (Schuler and Macmillan, 1984: 247).

Motivation theories may be broadly classified according to

Genetic and hereditary factors, such as Maslow’s hierarchy of needs theory and Herzberg’s two factor theory.

Need based theories, example: Vroom’s expectancy theory.

Behavioral theories such as the Equity theory.

According to Maslow’s Hierarchy of Needs Theory (1970), which is a five tier system, an individual has two kinds of needs - the lower order needs which

are satisfied externally, such as physiological and safety needs, and the higher order needs which are satisfied internally such as social needs, esteem and self actualization needs. The lower order needs may be classified as the extrinsic factors while the others are intrinsic factors. Herzberg further elucidated these factors in his two factor theory mentioned by Marchington and Wilkinson (2002), where in factors such as company policy, supervision and salaries play an important role in determining the kind of employees who are likely to join the organization. If, for a particular job, they are adequate, employees will be satisfied, otherwise they will not. Herzberg “ argues that employees were more likely to be motivated by factors such as achievement and the work itself rather than simply money” (Herzberg 1968).

Vroom’s expectancy Theory (1964) is based upon three salient beliefs:

Valence Expectancy Instrumentality

According to Vroom, all these three factors that are the expression of an employee’s expectations must be calculated in such a way that they are able to bring about a motivational force that will ensure maximum pleasure to the employee. It is possible to calculate this motivational force using the formula:

Motivation = Valence x Expectancy (Instrumentality)

When the outcome of the employee’s expectancy is satisfied to the maximum through the performance of the HR department, then the employee is likely to be highly motivated in his job.

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The Equity Theory is based upon the principle that in a workplace situation, the degree to which an employee experiences satisfaction at his job is determined by the extent to which he feels that he is at an advantage or a disadvantage as compared to a “ referent other”, who is actually a person that is in a position comparable to the employee. [Anderson and Bedini 2002]. According to the equity theory, “ input” has been described as those assets a person brings to his job such as education and qualifications. The term “ outcome” has been expressed in the Equity theory as referring to the results of the input that an employee puts into a job, i. e. salary and benefits [Anderson and Bedini 2002].

Applying the Equity Theory at the workplace plays an important role in shaping human relationships at the workplace and the performance that may be extracted from the employees. It is the perception of inequity as compared to a referent “ other” at another firm that motivates people to behave in such a way that the input/outcome ratio is adjusted and if this ratio is to be compatible with what management desires, then the appropriate motivation needs to be provided to the employees to address the inequity [Beauvais, n. d.]. Such factors include bonuses or special considerations to rectify the perception of inequity which creates dissatisfaction at the workplace among employees.

3. 0. Methodology:

This study will use a quantitative research approach, because the objective is to determine how prevalent employee turnover is within the context of the fast food sector in the UK retail industry. It must be noted however, that in determining the reasons for high employee turnover, a qualitative approach <https://assignbuster.com/employee-turnover-in-uks-fast-food-industry-business-essay/>

must be applied because the subjective opinions of the participants need to be taken into question. Therefore, in order to answer the research questions which have been posed in this study, the methodology used is through the Survey and questionnaire method. A Likert-type questionnaire will be used, where in responses will be assigned a numerical value on a scale ranging from 1 to 5. A lower value of 1 will indicate that the issue being examined in the question is not important at all while the highest value of 5 will indicate that the Respondent considers that particular issue very important.

Additionally, a questionnaire will also be prepared which be structured on an informal basis and will be completed through an interview with selected participants. The data will then be correlated in order to study patterns and identify trends and the statistical chi-square method of analysis of data could be applied to assess the degree of statistical significance of each of the variables which will be proposed through the questionnaire.

The sample survey questionnaire is provided below:

4. 0. Questionnaire:

JOB LEVEL: _____

PART TIME? YES NO

Criterion for measurement

1: Very Good

2: Good

3: Fair

4: Bad

5: very bad

1

2

3

4

5

1) My enjoyment at my job

2) Support from my supervisor

2) Competency of my supervisor

3) Speed in response from my supervisor on my concerns

4) Degree to which my manager does not put pressure on me

5) Degree of work regulation

6) Flexibility in work hours

7) My wages

8) Provision for bonuses

9) Convenience of working hours

10) Duration of working hours and ability to rest

11) Provision of overtime benefits

12) Satisfaction in my job

- 13) Personal fulfilment at my job
- 14) Respect I get from co-workers
- 15) Treatment I get from guests
- 16) Tips I receive from guests
- 17) Satisfaction with duration of hours I am on the job
- 18) Management policy towards guests who are unreasonable in their demands on me
- 19) Recognition for good work that I do
- 20) Overall satisfaction rating with my job

The responses that are received will be rated on the basis of weightage. The maximum average number of responses received against a particular ranking will indicate the prevalent trend among the employees for that particular aspect of the job. This is a preliminary estimate of job satisfaction that can be achieved by an overall survey. The method of questionnaire is easy and convenient to use. Employees can easily tick the response they wish to make and tabulation of the responses is also facilitated by the numerical value assigned to them.

5. 0. Conclusions:

Based upon the findings from the literature review and the factors that have been shown to be responsible for high employee turnover in the fast food retail sector, it appears likely that the responses obtained to the survey questionnaire may also reflect similar trends. In view of the ongoing recession and the difficulties that people have been facing in getting jobs,

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many people have been grabbing part time employment in the fast food retail sector as a means to stay afloat, which could have produced conditions where in employees are in abundant supply rather than the other way around, making employees reluctant to leave their jobs. As a result, there is a chance that the results may show that the recession has lowered the employee turnover rates, but the general factors affecting employee turnover are still likely to be relevant and applicable.